



79 Wellington St. W., 30th Floor  
Box 270, TD South Tower  
Toronto, Ontario M5K 1N2 Canada  
P. 416.865.0040 | F. 416.865.7380  
www.torys.com

Crawford Smith  
csmith@torys.com  
P. 416.865.8209

June 11, 2015

**EMAIL, RESS & COURIER**

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27th Floor  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2014-0116 Toronto Hydro Wireline Rate**

We are counsel to Toronto Hydro in the above noted matter. Further to our letter dated June 9, 2015 and the Board's Procedural Order No. 12, we are pleased to provide the Board with the attached Settlement Proposal for the Board's consideration.

Yours truly,

A handwritten signature in blue ink, appearing to read "C/S", with a long horizontal flourish extending to the right.

Crawford Smith

CS/db

# **SETTLEMENT PROPOSAL**

**TORONTO HYDRO-ELECTRIC SYSTEM LIMITED**

Wireline Pole Attachment Rate

**EB-2014-0116**

**June 11, 2015**

**Toronto Hydro-Electric System Limited  
Wireline Pole Attachment Rate  
EB-2014-0116**

**SETTLEMENT PROPOSAL**

**A. PREAMBLE**

This Settlement Proposal is filed with the Ontario Energy Board (the “Board”) in connection with the application by Toronto Hydro-Electric System Limited (“THESL”) for, among other things, an order or orders pursuant to section 78 of the *Ontario Energy Board Act, 1998* as amended, for approval of proposed electricity distribution rates and other charges effective May 1, 2015 (“the Application”). Included in the Application is a request by THESL for an increase in its wireline pole attachment rate.

On April 29, 2015, the Board issued Procedural Order No. 10 which established, among other things, that an oral hearing on Toronto Hydro’s request for an increase in its wireline pole attachment rate would be held on June 9 and June 11, 2015.

Thereafter, THESL and the “Carriers” (defined below) engaged in a series of discussions in an attempt to resolve this matter. Those discussions resulted in an agreement in principle to a rate of \$42 per pole/per year subject to discussions with remaining interested parties. By letter dated June 7, 2015, THESL wrote to the Board, with the consent of the Carriers, to advise of the discussions between THESL and the Carriers and to request a Settlement Conference.

By Procedural Order No. 11 issued June 8, 2015 the Board ordered that a Settlement Conference be held on June 9, 2015 at 9:30 am in the Board’s hearing room at 2300 Yonge Street, 25th Floor, Toronto. The Conference was duly held on this date in accordance with the Board’s *Settlement Conference Guidelines* (the “Guidelines”). This Settlement Proposal arises from the Settlement Conference.

**The Parties**

THESL and the following intervenors (collectively, the “Parties”) participated in the Settlement Conference:

- Association of Major Power Consumers in Ontario (“AMPCO”)
- Consumers Council of Canada (“CCC”)
- School Energy Coalition (“SEC”)
- Vulnerable Energy Consumers Coalition (“VECC”)
- Building Owners and Managers Association of Greater Toronto (“BOMA”)

- Energy Probe Research Foundation (“EP”)
- Allstream Inc. (“Allstream”)
- Rogers Communications Partnership (“Rogers”)
- COGECO Cable Inc. and its affiliates, including Cogeco Cable Canada LP and Cogeco Data Services Inc. (“Cogeco”)
- TELUS Communications Company and its affiliates (“TELUS”)

AMPCO, CCC, SEC, VECC, BOMA and EP are referred to collectively as the “Ratepayer Intervenor”.

Allstream, Rogers, Cogeco and TELUS are referred to collectively as the “Carriers”.

The following intervenors did not participate in the Settlement Conference:

- Canadian Union of Public Employees, (Local One)
- Canadian Electricity Association
- Ontario Power Generation Inc.
- Sustainable Infrastructure Alliance of Ontario
- The Society of Energy Professionals

Ontario Energy Board staff also participated in the Settlement Conference, but in accordance with the Guidelines is neither a Party nor a signatory to this Settlement Agreement. Although Board Staff is not a Party to this Settlement Agreement, the Board Staff who did participate in the Settlement Conference are bound by the same confidentiality standards that apply to the Parties to the proceeding.

### **Confidentiality**

Settlement proceedings are subject to the rules relating to confidentiality and privilege contained in the Guidelines. The Parties understand this to mean that the documents and other information provided, the discussion of the issue, the offers and counter-offers, and the negotiations leading to the settlement - or not - of each issue during the Settlement Conference are strictly confidential and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, other than as may be necessary to resolve a subsequent dispute over the interpretation of any provision of this Settlement Agreement.

### **Parameters of the Proposed Settlement**

The Parties are pleased to inform the Board that the Parties have reached an agreement on the sole issue of THESL's wireline pole attachment rate. If the Settlement Proposal is accepted by the Board, the Parties will not adduce any evidence or argument during the hearing on this issue as the Applicant and those intervenors who take any position on the settled issue agree to the proposed settlement.

This document is called a "Settlement Proposal" because it is a proposal by the Parties to the Board to settle the issues in this proceeding. It is termed a proposal as between the Parties and the Board. However, as between the Parties, and subject only to the Board's approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. As set forth later in this Preamble, this agreement is subject to a condition subsequent, that if it is not accepted by the Board in its entirety, then unless amended by the Parties it is null and void and of no further effect. In entering into this agreement, the Parties understand and agree that, pursuant to the *Ontario Energy Board Act*, the Board has exclusive jurisdiction with respect to the interpretation and enforcement of the terms hereof.

The Settlement Proposal describes the agreement reached and identifies the Parties who agree. The Settlement Proposal provides a direct reference to the evidence on the record to date, including evidence filed by the Carriers. The Parties consider that evidence sufficient to support the Settlement Proposal and that the quality and detail of the evidence will allow the Board to make a finding accepting the proposed settlement.

According to the Guidelines (p. 4), the Parties must consider whether a Settlement Proposal should include an appropriate adjustment mechanism for any settled issue that may be affected by external factors. THESL and the other Parties who participated in the settlement discussions agree that no adjustment mechanism is necessary.

None of the Parties can withdraw from this Settlement Proposal except in accordance with rule 30.05 of the *Rules of Practice and Procedure*.

Finally, this Settlement Proposal is without prejudice to the positions Parties might take in other proceedings.

Attached to this Settlement Proposal is:

**Appendix A:** This Appendix contains: (1) a summary update to the "Summary of Revenue Offsets" at Exhibit 3, Tab 2, Schedule 1, Table 1; (2) an update to the "Update Specific Service Charge 2015-2019 for Access to Power Poles (Wireline Attachments)" at Exhibit 8, Tab 2, Schedule 1, Table 1; and (3) an update to the "Other Operating Revenues" at Exhibit 3, Tab 3, Table 2, Schedule 2, Appendix 2-H.

## **B. TERMS OF SETTLEMENT**

### ***1. Is the wireline pole attachment rate appropriate?***

## Settled

Issue 5.6 of the Board approved final Issues List asks: Is the revenue offset component of the revenue requirement appropriate?

The “Specific Charge for Access to Power Poles (Wireline Attachments)” (i.e, the wireline pole attachment rate) is a component of the revenue offset. The Parties have agreed to settle the wireline pole attachment rate at an amount of \$42/per pole/per year for the duration of the Custom Incentive Regulation period approved by the Board in the Application.

Ratepayer Intervenors were not involved in the settlement process until an agreement in principle had been reached between Toronto Hydro and the Carriers at \$42/per pole/per year. Notwithstanding, all Parties, including Ratepayer Intervenors, accept the result of the agreement between THESL and Carriers and accept that the amount of \$42/per pole/per year is reasonable and in the public interest having regard to the evidence, which identifies a range of \$15.28 to \$66.49 per pole/per year.

## Approval

Parties in Support: THESL, AMPCO, CCC, SEC, VECC, BOMA, EP, and Carriers

Parties Taking No Position: N/A

## Evidence

The evidence in relation to this issue includes the following:

- THESL Exhibit 3, Tab 2, Schedule 1
- THESL Exhibit 3, Tab 2, Schedule 2
- THESL Exhibit 3, Tab 3, Table 2
- THESL Exhibit 8, Tab 2, Schedule 1
- Evidence of Suzanne Blackwell dated March 26, 2015
- Evidence of Dr. Roger Ware dated March 26, 2015
- Evidence of Timothy Brown dated March 26, 2015
- Interrogatory Responses in relation to the foregoing evidence
- Technical Conference Transcript and Undertakings arising from the Technical Conference in relation to the foregoing evidence.

**Appendix A**

Below represents the Summary of Revenue Offsets previously presented in Exhibit 3 Tab 2 Schedule 1 Table 1:

Description	Actual Year 2011	Actual Year 2012	Actual Year 2013	Bridge Year 2014	Test Year 2015
Specific Service Charges Excluding Pole Attachment (4235)	\$5.7	\$6.3	\$6.4	\$6.4	\$9.8
Late Payment Charge (4225)	\$4.2	\$4.0	\$3.8	\$4.0	\$4.0
Other Distribution Revenue Excluding Duct Rental (4082,4084,4090,4210,4215,4220)	\$3.9	\$3.7	\$3.7	\$3.4	\$11.5
Other Income & Deductions Including Pole Attachments (4210, 4235, 4324, 4325,4330,4335,4355,4375,4398,4405)	\$18.8	\$5.3	\$11.5	\$12.0	\$15.9
<b>Total Revenue Offset</b>	<b>\$32.6</b>	<b>\$19.4</b>	<b>\$25.4</b>	<b>\$25.7</b>	<b>\$41.3</b>

Below represents the Updated Specific Service Charge 2015-2019 for Access to Power Poles (Wireline Attachments) previously presented in Exhibit 8 Tab 2 Schedule 1 Table 1:

Specific Service Charge	Current OEB Distribution Rate Handbook Standard Charge Amount	Currently Approved for use by THESL?	New Service Charge or Revised Definition?	Proposed Updated Charge Amount
Specific Charge for Access to Power Poles (Wireline Attachments) (\$/pole/year)	\$22.35	Yes	Yes	\$42.00

Below represents the Other Operating Revenues previously presented in Exhibit 3 Tab 2  
Schedule 2 Appendix 2-H:

Uniform System of Account #	Description	Expense Element	Reported OEB Acc't	2011 Actual	2012 Actual	2013 Actual	2014 Bridge	2016 Test
<b>Other Distribution revenue</b>								
4082	Retailers' Fixed charge	1029	4082	\$5.2	\$5.3	\$5.6	\$5.5	\$5.5
4082	Retailers' Variable Charge	1031	4082	\$484.7	\$393.3	\$320.4	\$300.0	\$300.0
4082	Distributor Consolidated Billing (DCB) Charges	1033	4082	\$277.6	\$225.0	\$180.8	\$171.0	\$171.0
4082	Retail Consolidated Billing (RCB) Credit	1035	4082	-\$11.0	-\$8.7	-\$8.5	-\$8.6	-\$8.6
4082	Other Retailer Service fees	1047	4082	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0
4084	Retailer Service Transaction Request	1039	4084	\$8.2	\$9.6	\$9.3	\$6.8	\$9.6
4084	Retailer Service Transaction Processing	1041	4084	\$12.3	\$12.7	\$11.4	\$13.0	\$13.0
4090	SSS Admin Charge	1071	4090	\$1,993.5	\$2,021.3	\$2,099.8	\$2,115.0	\$2,115.0
4210	Misc Revenue	1206	4210	\$0.0	\$106.6	\$26.6	\$0.0	\$0.0
4210	Parking Rental	1303	4210	\$6.6	\$8.0	\$35.2	\$0.0	\$0.0
4210	Miscellaneous Rent	1304	4210	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0
4210	Interval Meter Phone Line Charges	1305	4210	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
4210	Property Rental	1308	4210	\$15.0	\$16.6	\$24.9	\$0.0	\$0.0
4215	TTC Rectification	1204	4215	\$303.9	\$303.9	\$303.9	\$303.9	\$303.9
4215	Misc Revenue	1206	4215	\$16.1	\$14.0	\$0.6	\$0.0	\$0.0
4215	Settlement Discounts Taken	1400	4215	\$249.3	\$277.4	\$250.0	\$200.0	\$200.0
4215	Stale Dated Cheques	1409	4215	\$506.9	\$352.4	\$443.4	\$250.0	\$350.0
4220	Street Lighting	1132/1202	4220	\$0.0	\$0.0	\$0.0	\$0.0	\$8,084.9
<b>Late Payment Charges</b>								
4225	Late Payment Charges	1055	4225	\$4,220.9	\$4,047.1	\$3,827.3	\$4,000.0	\$4,000.0
<b>Specific Service Charges</b>								
4235	Account Set Up Charge	1027	4235	\$2,676.6	\$2,816.1	\$2,740.6	\$2,550.0	\$3,811.9
4235	Special Meter Read	1051	4235	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
4235	NSF Collection Charges	1057	4235	\$91.4	\$81.9	\$68.8	\$75.0	\$113.9
4235	Collection Service Charges	1059	4235	\$2,566.4	\$3,026.3	\$3,075.5	\$3,300.0	\$4,969.1
4235	Connection-Reconnection Charge	1061	4235	\$231.3	\$336.2	\$476.7	\$444.0	\$859.3
4235	Easement Letter	1064	4235	\$19.3	\$18.8	\$21.4	\$0.0	\$23.1
4235	Duplicate Invoices for previous billing	1065	4235	\$6.5	\$7.7	\$5.0	\$5.7	\$2.9
4235	Income Tax Letter	1066	4235	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
4235	Request for Other Billing or System Information	TBD	4235	\$0.0	\$0.0	\$0.0	\$0.0	\$31.0
4235	Account History	TBD	4235	\$0.0	\$0.0	\$0.0	\$0.0	\$6.0
4235	Service Call - Customer Owned equipment or customer missed appointment	TBD	4235	\$0.0	\$0.0	\$0.0	\$0.0	\$2.0
4235	Misc Revenue	1206	4235	\$90.6	\$0.0	\$0.0	\$0.0	\$0.0
<b>Other Income and Deductions</b>								
4324	Special Purpose Charge Recovery	1220	4324	\$3,050.5	\$0.0	\$0.0	\$0.0	\$0.0
	Special Meter Reads	1051	4326	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Consumer Trouble	1053	4326	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	TTC Rectification	1204	4326	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Misc Revenue	1206	4326	\$14,740.4	\$8,587.9	\$11,822.2	\$11,017.2	\$11,657.2
	Misc Revenue (Excl AG22)	-1206	4326	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	EHS Consulting Revenue	1209	4326	\$5.0	-\$5.0	\$0.0	\$0.0	\$0.0
	Plant Relocates	1210	4326	\$430.4	\$432.5	\$31.9	\$0.0	\$0.0
	Line Hose Removal/Install	1212	4326	-\$5.3	\$0.0	\$0.0	\$0.0	\$0.0
	Temporary Service Construction	1214	4326	\$2,754.7	\$4,006.8	\$1,598.1	\$1,583.1	\$1,784.6
	Plant Removals/Demo	1218	4326	\$102.2	\$301.3	\$174.4	\$0.0	\$0.0
	Other Banner Revenue	1218	4326	\$325.1	\$55.5	\$47.5	\$0.0	\$0.0
	Other Banner Revenue	1218	4236	\$0.0	\$0.0	\$0.0	\$215.3	\$215.3
	Duct Rental	1301	4210	\$4,620.5	\$5,261.2	\$6,000.0	\$6,743.7	\$6,743.7
	Pole Attachment Rental	1302	4236	\$1,987.6	\$2,256.1	\$2,133.4	\$0.0	\$0.0
	Pole Attachment Rental	1302	4210	\$0.0	\$0.0	\$0.0	\$2,304.6	\$4,180.2 /Cs
	Trades Training	1207	4326	\$0.0	\$0.0	\$64.0	\$0.0	\$0.0
	Trades Training	1207	4375	\$0.0	\$33.0	\$251.5	\$0.0	\$0.0
	Shared Serv Recovery	9949	4375	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
4325	Merchandise and Jobbing Revenue	various	4325	\$24,960.6	\$20,929.3	\$22,122.8	\$21,864.0	\$24,561.1 /Cs
	Merchandise and Jobbing Costs	2901	4330	-\$14,466.5	-\$17,573.7	-\$12,193.6	-\$14,352.0	-\$12,708.5
	Cost Of Value Added Services	2906	4330	\$0.0	-\$2.3	\$0.0	\$0.0	\$0.0
4330	Merchandise and Jobbing Costs	2901	4330	-\$14,466.5	-\$17,576.0	-\$12,193.6	-\$14,352.0	-\$12,708.5
4355	Gain/Loss on disposals	1501	4355	-\$164.5	\$989.9	\$17.9	\$0.0	\$0.0
4335	Gain/Loss on disposals	1501	4335	\$0.0	\$0.0	-\$17.9	\$0.0	\$0.0
4375	Gain/Loss on disposals	1501	4375	\$164.5	-\$989.9	\$0.0	\$0.0	\$0.0
4375	Shared Services Recovery	9949	4375	\$0.0	\$0.0	\$0.0	\$3,381.2	\$3,399.5
4355	Gain on Disposition of Utility and Other Property	9601	4355	\$3,885.3	\$1,804.8	\$1,279.6	\$453.5	\$0.0
	Gain/Loss On Foreign Exch	7501	4398	\$53.5	-\$292.7	-\$778.9	\$0.0	\$0.0
	Foreign Exchange Conversion	7505	4398	\$50.5	\$212.5	-\$129.3	\$0.0	\$0.0
4398	Foreign Exchange Gain/(Loss)	7505	4398	\$104.1	-\$80.2	-\$908.2	\$0.0	\$0.0
	Dividend Income	1608	4406	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Investment Int. Income	1608	4406	\$1,267.8	\$221.3	\$1,183.4	\$660.0	\$660.0
	Regulated Assets Cchgs-Revenue	1613	4406	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
4405	Investment Interest Income	1608	4405	\$1,267.8	\$221.3	\$1,183.4	\$660.0	\$660.0
<b>Specific Service Charges Excluding Pole Attachment (4235)</b>								
				\$5,682.0	\$6,287.1	\$6,388.0	\$6,374.7	\$9,819.2
<b>Late Payment Charge (4225)</b>								
				\$4,220.9	\$4,047.1	\$3,827.3	\$4,000.0	\$4,000.0
<b>Other Distribution Revenue Excluding Duct Rental (4082,4084,4090,4210,4215,4220)</b>								
				\$3,869.0	\$3,737.4	\$3,703.3	\$3,356.6	\$11,544.3
<b>Other Income &amp; Deductions Including Pole Attachments (4210, 4235, 4324, 4326, 4330, 4335, 4355, 4375, 4398, 4405)</b>								
				\$18,801.8	\$5,299.3	\$11,484.1	\$12,006.7	\$15,912.0 /Cs
<b>Total Revenue Offset</b>								
				\$32,573.7	\$19,370.8	\$26,402.6	\$26,738.0	\$41,275.6 /Cs